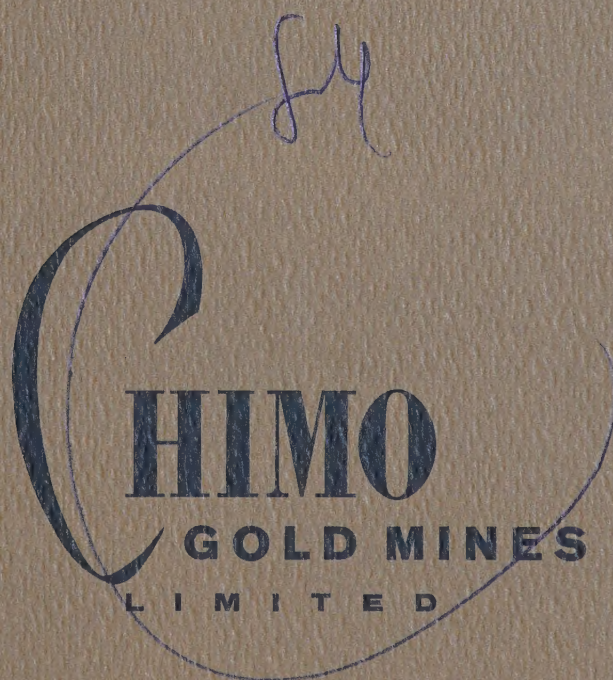


**ANNUAL
REPORT**

1971



FOR THE YEAR ENDED DECEMBER 31, 1971



DIRECTORS

A. C. MOSHER - - - - - Toronto, Ontario
C. R. ELLIOTT - - - - - Bowmanville, Ontario
M. P. CONNELL - - - - - Toronto, Ontario

OFFICERS

A. C. MOSHER - - - - - President
D. B. MacDERMOTT - - - - - Secretary
J. C. LAMACRAFT - - - - - Treasurer

HEAD OFFICE

TENTH FLOOR, 85 RICHMOND STREET WEST
Toronto, Ontario

•

TRANSFER AGENT AND REGISTRAR

NATIONAL TRUST COMPANY, LIMITED
Toronto, Ontario

•

AUDITORS

RIDDELL, STEAD & Co.
Toronto, Ontario

•

BANKERS

THE ROYAL BANK OF CANADA
Toronto, Ontario

•

SOLICITOR

D. B. MACDERMOTT
Toronto, Ontario

•

ANNUAL MEETING

March 3, 1972, 10:30 A.M.
Nova Scotia Room, Royal York Hotel
Toronto, Ontario





President's Report

To the Shareholders,
Chimo Gold Mines Limited:

Your directors submit herewith for your consideration the financial statements of the Company as at December 31, 1971, and your auditors' report thereon.

Activities of the Company are centred entirely in mining exploration, with the major emphasis during 1971 on the Sturgeon Lake Area, Province of Ontario.

Income received from The Iron Bay Trust in 1971 amounted to \$231,900 and was derived from a royalty on production of iron ore pellets from The Steel Company of Canada's Griffith Mine, located near Red Lake, Province of Ontario. As the Company owns 1,000,000 units of the Trust, income from this source establishes a firm base for the Company's exploration programs.

The Company continues to hold a controlling interest in 272 mining claims in the Sturgeon Lake Area, Province of Ontario. Exploration work to date has included ground and airborne geophysics, geological reconnaissance, prospecting and diamond drilling. The properties cover a length of approximately seven miles in an east-west direction, situated three miles west of Mat-tabi Mines Limited, where an important base metal mine is being brought into production. During the year, anomalous zones indicated by geophysical surveys were diamond drilled by 12 holes for a total of 9,102 feet. In two of the holes, iron pyrite, sparse chalcopyrite, sphalerite and galena

were encountered. In another hole, some chalcopyrite and pyrite were obtained over a narrow width, but insufficient to be of economic value.

Many of the mining claims are covered by the waters of Sturgeon Lake and can be explored only when the lake is frozen. A program of line-cutting is presently in progress to re-establish the lines on part of the water claims for possible diamond drilling this year of conductors which were not tested previously.

As previously reported to you, an option agreement was entered into with other companies during 1971 covering mining claims in Maisonville Township, Larder Lake Mining Division, Province of Ontario. In January of this year three diamond drill holes were completed for a total of 1,200 feet. As the results were negative, no further action will be taken and the option will be allowed to lapse.

A joint exploration project was carried out with three other companies on a group of claims in the western part of British Columbia. Geophysical and geochemical surveys and mapping were completed, but an evaluation of the work revealed nothing of interest, and it was decided that no additional work would be performed.

An option agreement was signed with Selco Exploration Company Limited and New Metalore Mining Company Limited to do geophysical and geochemical work, followed up by diamond drilling, in Desme-

loizes Township, Province of Quebec. As the results of this work were not encouraging, the option was dropped.

In several areas of Ontario some work was done and prospects were examined, but no further action was warranted.

The Company's small interest was continued in the Raymond L. Smith Grubstake, which operates in Southwestern Australia. Contributions were also made to one grubstake prospecting venture which operated in Ontario, but no discoveries were forthcoming.

As previously reported, a joint exploration venture with Selco Exploration Company Limited in the Winisk River Area of Ontario proceeded throughout the winter months. Airborne geophysical surveys were performed, followed by line-cutting and ground geophysical work. Diamond drilling of two of the conductors disclosed nothing of interest, and no further work will be undertaken.

An induced polarization survey was carried out on mining claims in the Kapikotongwa Lake Area of Ontario held jointly with United States Smelting Refining and Mining Company. The option on this property is being dropped, as very little encouragement was derived from the survey.

Associated Companies

CALMOR IRON BAY MINES LIMITED received \$151,535 in royalties from production of iron ore pellets from The Griffith Mine. This continuing source of income will ensure an important future for Calmor. Your Company owns 1,000,000 shares of Calmor, representing a 39% interest.

Calmor Iron Bay Mines Limited, Lake-Osu Mines Limited and Uranium Ridge Mines Limited jointly own 18 mining claims in the Sturgeon Lake Area, which are west of and tied onto the holdings of Chimo. Your Company owns 831,500 shares of Lake-Osu, representing a 22% interest, and 532,655 shares of Uranium Ridge, representing a 21% interest.

Your Company retains its small interest in Holdex Group Limited.

By-laws

At a General Meeting of Shareholders, held on July 14, 1971, approval was obtained to replace the By-laws of the Company, since the old By-laws were considered inadequate for the purposes of the Corporation.

General Exploration

As set out in a report to you dated December 29, 1971, a copy of which is attached hereto for your convenience, your Company is participating in an exploration joint venture with Conwest Exploration Company Limited, effective January 1, 1972, and will have a 20% interest in any mineral properties acquired. Conwest's staff have developed an active program for 1972.

On behalf of the Board,

A. C. MOSHER,
President.

January 27, 1972.

CHIMO GOLD MINES LIMITED

SUITE 1000 - 11 KING STREET WEST
TORONTO 105, ONTARIO

December 29, 1971.

To the Shareholders of Chimo Gold Mines Limited:

For some considerable time your Board of Directors has been concerned about the continuity of management of your company's operations in the future. As you are aware, I have been providing the exploration direction for this company's activities for the past thirteen years and, while I have no plans to retire from active participation in the affairs of your company, I have always felt it to be in the best interests of the shareholders to ensure that the affairs of this company would be maintained and pursued in a proper manner.

On December 10, 1971, Conwest Exploration Company Limited and its associated company, Central Patricia Gold Mines Limited, acquired effective control of Chimo Gold Mines Limited through the purchase of 458,649 issued and outstanding shares.

On December 13, 1971, at a Board of Directors meeting of your company, Mr. D. W. Falconer and Mr. D. J. Hains, both members of the Board of Directors, tendered their resignations. Both of these gentlemen have contributed greatly to the accomplishments of your company and have provided a long and valuable service to the Board. Immediately following their resignations, Mr. C. R. Elliott, President of Conwest Exploration Company Limited, and Mr. M. P. Connell, Executive Vice-President of Conwest, were elected as nominees of Conwest to fill the vacancies created. I will myself remain as a Director and as the President of your company. At that meeting, the Board of Directors approved an Agreement to enter into a joint venture mining exploration programme with Conwest. From January 1, 1972, Conwest will manage this new exploration venture and Chimo will participate to the extent of 20% in any exploration activity undertaken by Conwest from that period forward and in return will acquire a 20% interest in any interest acquired by Conwest in mineral properties.

I am pleased and optimistic about the relationship that has been made with Conwest as it will provide the management of this company with ongoing continuity and will assure our shareholders that their company's activities as an exploration company will be continued under good, experienced management.

Conwest Exploration Company Limited has been active in the mining exploration business in Canada since 1939 but its history goes beyond that, for Mr. F. M. Connell and his brother, Mr. W. H. Connell, the founders of Conwest, have been active in mineral exploration since the early 1900's. Conwest is a well known and highly regarded Canadian exploration company and has many notable successes in its history. The consolidation of the various silver-lead properties near Mayo in the Yukon Territory resulted in the formation of the United Keno Hill Mines which was successfully managed by Conwest until 1960 and still operates under the direction of Falconbridge. Cassiar Asbestos Corporation Limited was formed in 1951 to acquire mineral claims that had been optioned by Conwest in 1950. The history of Cassiar is well known and this growing producer of quality asbestos fibres is amongst the leaders of the worldwide asbestos industry. In more recent years, Conwest has participated in a variety of successful exploration ventures including the development of the important lead-zinc orebodies of Pyramid Mines Ltd. at Pine Point; the discovery and development of the Madeleine Mine in Gaspé through participation in Frobex Ltd.; and the financing of the Poseidon property in Australia.

Conwest has developed an able, experienced, and aggressive exploration team and I have every confidence in their capabilities to manage your company's exploration activities. It will bring assured continuity of management to your company and a wealth of experience in addition to its well known qualities of flexibility and aggressiveness in mineral exploration.

Those properties which were held by Chimo prior to December 31, 1971 will *not* be subject to the Joint Venture Exploration Agreement and it will be the intention of your company to pursue diligently the exploration of those properties that were still in the process of evaluation at the end of the year.

The conducting of competitive mining exploration business has become increasingly more costly in recent years while the chances of locating new finds have become more difficult. I feel that in the long run it is in the best interests of the shareholders to enjoy the wider degree of exposure that this relationship will give to us, and that with the assurance of continuing quality management we can look forward to an exciting future.

A. C. MOSHER, President,
Chimo Gold Mines Limited.

BALANCE SHEET AS

ASSETS

CURRENT	1971	1970
Cash	\$ 131,351	168,654
Royalty receivable	55,500	59,000
Accounts receivable	7,859	16,620
	<u>194,710</u>	<u>244,274</u>
INVESTMENTS, at cost (Note 2)	887,240	887,240
MINING ASSETS (Note 1)		
Mining properties at cost and expenditures thereon	421,098	242,360
Machinery and equipment at estimated realizable value	37,912	41,314
	<u>459,010</u>	<u>283,674</u>
PROSPECTING AND OFFICE EQUIPMENT, at cost less accumulated depreciation of \$17,404 (1970 — \$22,120)	12,199	15,149
	<u>\$1,553,159</u>	<u>1,430,337</u>

On behalf of the Board:

A. C. MOSHER, Director.

C. R. ELLIOTT, Director.

T DECEMBER 31, 1971

LIABILITIES

CURRENT	1971	1970
Accounts payable	\$ 4,963	3,970

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)

Authorized

5,000,000 shares, par value \$1 each

Issued

3,371,086 shares	3,371,086	3,371,086
Less discount	1,212,167	1,212,167
	<u>2,158,919</u>	<u>2,158,919</u>

DEFICIT (Note 1)	610,723	732,552
	<u>1,548,196</u>	<u>1,426,367</u>
	<u>\$1,553,159</u>	<u>1,430,337</u>

AUDITORS' REPORT

To the Shareholders
CHIMO GOLD MINES LIMITED

We have examined the balance sheet of Chimo Gold Mines Limited as at December 31, 1971 and the statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change in the method of accounting for mining properties and expenditures thereon, as described in Note 1, were applied on a basis consistent with that of the preceding year.

Toronto, Ontario
January 21, 1972

RIDDELL, STEAD & Co.
Chartered Accountants.



STATEMENT OF INCOME AND DEFICIT

For the year ended December 31, 1971

INCOME	1971	1970
Royalties	\$ 231,900	233,300
Interest	4,476	8,338
	<u>236,376</u>	<u>241,638</u>
EXPENSES		
Administrative and corporate	56,793	47,596
General exploration together with the cost of properties abandoned during the year including exploration and development thereon	57,754	77,452
	<u>114,547</u>	<u>125,048</u>
NET INCOME (Notes 1 and 3)	<u>121,829</u>	<u>116,590</u>
Deficit at beginning of year		
As previously reported	974,911	947,663
Adjustments re mining properties and related expenditures (Note 1)	242,359	98,521
As restated	<u>732,552</u>	<u>849,142</u>
DEFICIT AT END OF YEAR	<u>\$ 610,723</u>	<u>732,552</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1971

SOURCE OF FUNDS	1971	1970
Royalties and interest	\$ 236,376	241,638
Issue of capital stock	—	32,000
Proceeds from disposal of machinery and equipment	3,402	42
	<u>239,778</u>	<u>273,680</u>
APPLICATION OF FUNDS		
Administrative and corporate	56,793	47,596
Expended upon exploration and development of mining properties including general exploration	233,392	217,190
Prospecting and office equipment additions (net)	150	4,130
	<u>290,335</u>	<u>268,916</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>(50,557)</u>	<u>4,764</u>
Working capital at beginning of year	240,304	235,540
WORKING CAPITAL AT END OF YEAR	<u>\$ 189,747</u>	<u>240,304</u>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 1971

1. CHANGE IN ACCOUNTING POLICIES

In prior years the cost of acquisition of mining properties and expenditures thereon were written off with general exploration expenditures. During the year the company adopted the policy of writing off all general exploration expenditures incurred during the year and capitalizing the cost of acquisition of mining properties, including expenditures thereon, which were in good standing at the year end. On abandonment of such properties the cost and expenditures thereon are reflected in the statement of income and deficit. The effect of this change was to increase income in 1971 by \$178,739. The balance of deficit as at December 31, 1970 has been restated from the amount previously reported to show a retroactive credit of \$98,521 representing the cost of acquisition and expenditures thereon of mining properties in good standing at January 1, 1970. The result of this retroactive change in accounting policy on the statement of income for the year ended December 31, 1970 is to increase income by \$143,838.

2. INVESTMENTS

In associated companies:

1,000,000 shares (39% interest) of Calmor Iron Bay Mines Limited, at cost (quoted market \$550,000)	\$ 120,000
1,000,000 trust units (39% interest) of The Iron Bay Trust, at cost (quoted market \$3,100,000)	480,000
831,500 shares (22% interest) of Lake-Osu Mines Limited, at cost (quoted market \$49,890)	196,155
532,655 shares (21% interest) of Uranium Ridge Mines Limited, at cost (quoted market \$21,307)	63,585
In other mining companies, at cost (no quoted market)	27,500
	<u>\$ 887,240</u>

3. INCOME TAXES


No provision for income taxes is required because the company is in the three year tax exempt period as provided by the Income Tax Act. The exemption covers the period December 1, 1969 to November 30, 1972. As at December 31, 1971 the company had exploration and development expenditures available to apply against otherwise taxable income of future years.

4. CAPITAL STOCK

Options to an officer and an employee are outstanding pursuant to the terms of an employees' incentive stock option agreement on 55,000 shares of capital stock of the company at \$1.60 per share. Options are exercisable during the currency of employment and within 30 days after termination of employment, and, in any event, expire on February 28, 1974.

5. EXECUTIVE REMUNERATION

The aggregate remuneration paid to the directors and senior officers (as defined by The Business Corporation Act, 1970), totalled \$25,870 (1970 — \$20,774).



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INTERIM STATEMENT OF INCOME AND DEFICIT
For the six months ended June 30, 1971

	1971	1970
Revenue		
Royalty	\$ 116,000	118,000
Interest	2,948	4,318
	<u>118,948</u>	<u>122,318</u>
Expenses		
Mining exploration and prop- erty acquisition	176,994	158,114
Administrative and corporate .	28,836	27,475
	<u>205,830</u>	<u>185,589</u>
Loss	86,882	63,271
Deficit at beginning of year	974,911	947,663
Deficit at End of Period	<u>\$1,061,793</u>	<u>1,010,934</u>

**INTERIM STATEMENT OF SOURCE AND
APPLICATION OF FUNDS**
For the six months ended June 30, 1971

	1971	1970
Source of Funds		
Sale of shares	\$ —	32,000
Proceeds from disposal of equipment	1,139	42
	<u>1,139</u>	<u>32,042</u>
Application of Funds		
Loss for the period	86,882	63,271
Depreciation	2,000	1,999
Funds applied from operations	84,882	61,272
Additions to prospecting and head office equipment (net)	450	2,710
	<u>85,332</u>	<u>63,982</u>
Decrease in Working Capital ...	84,193	31,940
Working capital at beginning of year	240,304	235,540
Working Capital at End of Period	<u>\$ 156,111</u>	<u>203,600</u>



INTERIM

report

FOR THE SIX MONTHS

ENDED JUNE 30, 1971



HEAD OFFICE

SUITE 1000, MONTREAL TRUST TOWER
11 KING STREET WEST, TORONTO, ONT.





To the Shareholders:

We are pleased to submit an interim financial statement to June 30, 1971, together with a progress report summarizing exploration activities and developments since those reviewed in the Annual Report.

The Company continues to hold a controlling interest in 272 mining claims in the Sturgeon Lake Area, Province of Ontario. The properties cover a length of approximately seven miles in an east-west direction, situated three miles west of Mattabi Mines Limited, where an important base metal mine is being brought into production. During the winter, anomalous zones indicated by geophysical surveys were diamond drilled by seven holes for a total of 5,505 feet. In two of the holes, iron pyrite, sparse chalcopyrite, sphalerite and galena were encountered, but insufficient to be of economic value. Diamond drilling resumed after spring breakup and four holes have been drilled in the current series for a total of 2,255 feet. In one hole, iron pyrite and chalcopyrite were visible in the core. The present drilling program will be discontinued until the coming winter, when additional conductors will be drilled from the ice of Sturgeon Lake.

A 60% interest has been acquired in 30 contiguous mining claims located in Maisonville Township, Larder Lake Mining Division, Ontario. Ten of the mining claims are under option from Hudson Bay Mines Limited and 20 claims, which were subsequently staked, also form part of the Option Agreement. Two promising conductive zones, outlined by a previous geophysical survey, will be diamond drilled this winter. Calmor Iron Bay Mines Limited holds a 30% interest in the venture and Lake-Osu Mines Limited 10%.

An induced polarization survey has been carried out on mining claims in the Kapikotongwa Lake

Area of Ontario held jointly with United States Smelting Refining and Mining Company. Additional work will be dependent upon the outcome of a consultation with our partner in the project.

Due to extensive prospecting activity in the Sioux Lookout Area of Ontario, six claims were staked adjoining ground on which exploration work was being conducted by other companies.

The Company continues to be active in examining and exploring properties. Two property acquisitions, one in British Columbia and one in Quebec, are presently under negotiation with other parties. Examinations of a number of properties have been made, but further action was not warranted.

Joint exploration work with Selco Exploration Company Limited in the Winisk River Area of Ontario proceeded throughout the winter months. Airborne geophysical surveys were performed, followed up by linecutting and ground geophysical work. Diamond drilling of two of the conductive zones revealed nothing of interest.

Royalty revenue from The Iron Bay Trust amounted to \$116,000, compared with \$118,000 for the same period in 1970.

A. C. MOSHER,
President.

August 16, 1971.



INTERIM STATEMENT OF INCOME AND DEFICIT

For the six months ended June 30, 1970

	1970	1969
Revenue		
Royalty	\$ 118,000	67,000
Interest	4,318	5,725
	<u>122,318</u>	<u>72,725</u>
Expenses		
Mining exploration and property acquisition	158,114	53,962
Administrative and corporate	27,475	22,072
	<u>185,589</u>	<u>76,034</u>
Loss	<u>63,271</u>	<u>3,314</u>
Deficit at beginning of period ..	947,653	886,044
Deficit at end of period	<u><u>\$1,010,884</u></u>	<u><u>889,358</u></u>

INTERIM STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the six months ended June 30, 1970

	1970	1969
Source of Funds		
Sale of shares	\$ 32,000	—
Proceeds from disposal of mine plant and equipment	42	2,826
	<u>32,042</u>	<u>2,826</u>
Application of Funds		
Loss	63,271	3,314
Depreciation	1,890	2,000
Funds applied to operations ..	61,272	1,314
Purchase of investments	—	20,000
Additions to prospecting and head office equipment	2,710	1,695
	<u>69,932</u>	<u>25,209</u>
Decrease in Working Capital ..	<u>31,940</u>	<u>20,883</u>
Working capital at beginning of year	235,540	212,498
Working Capital at end of period ..	<u><u>\$ 203,600</u></u>	<u><u>291,316</u></u>

Printed in Canada



INTERIM

report

FOR THE SIX MONTHS

ENDED JUNE 30, 1970



HEAD OFFICE

SUITE 1000, MONTREAL TRUST TOWER
11 KING STREET WEST, TORONTO, ONT.





INTERIM REPORT

For the six months ended June 30, 1970

Shareholders:

As indicated in the last annual report, the Company is actively exploring regions of Ontario and one in

the Sturgeon Lake Area, Patricia Mining Division, on a group of 157 claims west of the Montegomery property, where an important mine is being developed, geophysical surveys located several zones of ores. Portions of three of these were tested by holes drilled from the Ice of Sturgeon Lake. Favourable structures carrying enclaves and graphite were detected, but mineralization of economic importance has not yet been found. The more interesting results include 2.9 ft. averaging 1.12% copper and 0.1% of silver, and 2.0 ft. of 1.12% copper and 0.33% of silver. In addition, narrow sections in broad mineralized zones show the presence of gold, silver, copper and these are of the nature of 2.9 ft. carrying 0.2 oz. of silver, 3.04% copper and 1.35% zinc, 5.4 ft. carrying 1.81 oz. silver and 5.23% copper, and 0.8 ft. of 0.16 oz. gold, 1.05 oz. silver and 0.45% copper. Exploratory work and diamond drilling will be resumed on claims as soon as the ice becomes safe next

group of 92 claims, situated west of the southern Sturgeon Lake, was optioned. Geophysical surveys conducted which are now being tested by drilling, disclosed in one area out up to 100 ft. of pyrite, hematite, magnetite and graphite with sparse dissemination of copper and zinc minerals, not of ore grade.

A total of 6,800 feet of diamond drilling has been completed on Sturgeon Lake properties to date.

In a 20-claim group south and west of the above area, geophysical surveys did not reveal targets of ore interest.

A two-man prospecting team is at work in the Sturgeon Lake Area.

On the claims in the Dryden Area, Kenora Mining Division of Ontario, an engineer and a prospector, making a thorough investigation, have located several mineralized zones which are being carefully assessed to judge whether or not diamond drilling is warranted.

An induced polarization survey of the claims in Vain Township, Ontario, did not indicate any drilling targets. Additional prospecting is to be done this season.

An option has been arranged on claims adjoining the holdings of Chimo and the United States Smelting Refining and Mining Company at Kapikotongwa Lake, Ontario. Some exploratory work is to be done on both properties.

Geophysical surveys on the Company's optioned ground in the Belicre Area, Quebec, revealed a structure on which drilling is to start about the end of July, 1970.

Considerable scouting has resulted in three prospects having been investigated; one of these is being studied currently.

Royalty revenue from The Iron Bay Trust amounted to \$115,000, compared to \$67,000 for the same period in 1969.

A. C. MOSHER,
President.

July 10, 1970.